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*Great West Mining & Smelting Corporation Limited*

YEAR ENDING  
DECEMBER 31, 1964

SIXTH ANNUAL REPORT





# *Great West Mining & Smelting Corporation Limited*

HEAD OFFICE

SUITE 1110  
25 ADELAIDE ST., W.  
TORONTO 1, CANADA

May 19, 1965

## TO THE SHAREHOLDERS:

Your directors herewith submit the Annual Report on the operations of the Company for the period ending December 31, 1964. Since the last Annual Meeting bulletins have gone to shareholders on July 3, 1964, and on February 1, 1965, and what follows will summarize the significant developments of 1964 plus report on the major events to date in 1965.

The last Annual Meeting was informed that an ore merchandizing organization had recommended that the Company consider producing standard commercial pellets rather than granular iron or pig iron because oxide pellets are the raw material of the future for the steel industry, and that Arthur G. McKee & Company, engineers and contractors to the iron and steel industries, had been retained to advise on the economic and technical feasibility of such action.

By producing pellets and more highly metalized products the Company puts itself in the position of being able to produce for both the western Canadian and Lower Lakes markets on the most economically attractive basis. The western Canadian consumers cannot take a standard commercial pellet containing 67% iron and approximately 4% insolubles, although such a product should enjoy a strong market among the major steelmakers, but for little additional cost the Company can produce a fully metalized briquette (or sponge) containing 95% or more iron for their use. Such fully metalized briquettes obviate the necessity for a smelter furnace ahead of the steel furnace in the production of steel ingots ready for rolling into sheet and plate.

The last Annual Meeting was also advised of the fact that negotiations were under way with an ore merchandizing organization in the United States to service the Company's consumers and to possibly participate in the management of our operations. No agreements have been concluded in this regard, pending a final decision on the Company's product mix.

During August, 1964, the Company received favorable indications from R-N Corporation of New York, which had concluded laboratory metalization studies on our ore, commissioned by us at the request of prospective consumers in western Canada, to the effect that our iron concentrate could be used to make fully metalized briquettes by the "R-N" reduction process.

On the basis of these satisfactory results the key consumers in western Canada, the Manitoba Rolling Mill Division of Dominion Bridge Company at Selkirk, Manitoba, and Interprovincial Steel & Pipe Corporation Limited at Regina, Saskatchewan, are now working with us on long term contracts involving tonnages in excess of half of our proposed minimum briquette capacity. In addition, several of our prospective U.S. consumers for oxide pellets advised us that they were interested in purchasing briquettes as well. The magnitude of interest is already such that the company must increase its minimum indicated ore reserves beyond present levels to be in a position to take on the demand expressed to date, and also to be in a position to deal in pellets in minimum volume.

In order to finance its operations, the company entered into a firm underwriting agreement with Messrs. Collier, Norris & Quinlan Limited and Messrs. McDougall & Christmas Limited, investment dealers, of Montreal, under date of January 19, 1965, to sell to them \$400,000 principal amount of the Company's 6% Convertible Debentures which were taken down in full on March 17, 1965. The Debentures bear date of February 1, 1965, mature on February 1, 1968, are redeemable at any time at the option of the Company upon thirty days notice, and are convertible at the option of the holders at any time into one hundred twenty-five (125) shares of the capital stock of the company for each one hundred dollars (\$100) principal amount of Debentures held.

The Debentures were not offered to residents of the United States, but Canadian resident shareholders were given notice of the opportunity to purchase them in the letter to shareholders of February 1, 1965.

It is of significance to report that your Company has purchased additional land, mineral rights, and has taken options to purchase further mineral rights, to complete the Company's ownership of the surface rights to all land required for mining, concentrating and reduction facilities, and for road and rail access thereto.

A drilling program laid down by your Company's consultants, Arthur G. McKee & Company, who have retained Dr. M. W. Bartley, consulting geologist, of Port Arthur, Ontario, is now well on its way to completion, with satisfactory results to date, to establish a minimum 30-year supply of ore for a reduction unit to meet the demands of the



western Canada market, to indicate the presence of a minimum of 60,000,000 tons of ore, and to verify the uniformity and grade of the ore body indicated by the previous development program. Four rigs, employing more than 25 men, are doing approximately 40,000 ft. of Diamond drilling. The final holes are expected to be completed in July, 1965.

The Mines Experiment Station, Institute of Technology, University of Minnesota, is carrying out a series of heavy bench tests to obtain basic data on the magnetic concentration characteristics of drill core samples, including analyses of the crude core and tests to determine the size of grind for maximum ore recovery by magnetic separation. Results so far confirm previous testing results which indicated a low level of silica and insolubles, and satisfactory concentration and ore recovery by magnetic separation to be followed by final beneficiation of the concentrate prior to reduction.

Mining, engineering and ore production studies prepared for the Company by T. R. Clarke & Associates during the past year have shown that the structure of the ore body lends itself to low cost underground mining techniques, and detailed studies, based on the use of conventional equipment, have been prepared at various production levels.

Because of the success of the original tests carried out using the "R-N" reduction process, which indicated a high degree of metalization and recovery, the Company has arranged with R-N Corporation for larger additional tests to be carried out at the research laboratories of Republic Steel Corporation at Cleveland, Ohio, on ore samples to be obtained from large diameter drill cores resulting from the Company's current drilling program.

Arthur G. McKee & Company are assembling all of the reports and information available, are co-ordinating the test work and will, by mid-summer, provide the Company with a comprehensive feasibility and cost study on the entire project. This study will be a basic element in arranging production financing.

The directors have filled two vacancies on the board of directors by the appointment of David R. Williams, Jr. and Donald F. Wolvin. Mr. Williams, who for some time has been a shareholder in the Company, is Executive Vice President of the construction firm, Williams Brothers Company, of Tulsa, Oklahoma. He has numerous activities in Canada, and is particularly familiar with business and other affairs in the Canadian west, our prime market area. Mr. Wolvin, who has also been a shareholder for a considerable period, is President of McDougall & Christmas Limited, one of the oldest investment firms in Montreal which is also one of the underwriters of the Company's securities as referred



to above. Mr. Wolvin has had considerable experience in the financing and development of mining and raw material sources.

The Canadian Stock Exchange, at Montreal, has agreed to accept for listing the common shares of the Company, and the appropriate formalities are now being attended to with a view to listing in early June. Your directors expect that the listing will provide a more orderly market for the shares and will enable institutions, which are precluded from investing in unlisted securities, to participate in our project.

It continues to be premature to discuss projected earnings but all activity to date suggests that the project is capable of generating a financially attractive return on indicated required capital, after retiring all proposed debt comfortably within the interval of initial contracts.

By way of brief comment on our financial statements, which are a part of this report, you will note that the two most extensive items are engineering and marketing which reflect the activity of the Company in these important aspects of the project. In 1965 there will be much higher field expenditures because of the drilling program and the expenditures on testing and engineering will continue.

In the interval between the expenditure of the cash on hand at the end of 1963 and the sale of the Debentures in March, 1965, the Company's operations were financed by bank and other borrowings which were personally guaranteed by two of your directors. This interim procedure was followed to keep to a minimum the dilution of the shareholders' equity.

The Company's cash on hand balance is being maintained to meet current requirements, and the proceeds of the Debentures not needed on a current basis have been invested in interest bearing bank certificates.

Looking ahead to the financing of the production phase of our project, it is apparent that the requirement will be met primarily through one or all of machinery and engineering credits, the sale of debt, and government credits. It will, of course, be necessary for us to enlarge our equity base in some degree.

In closing, it is again appropriate for shareholders to express their appreciation to Mr. A. J. R. Stethem, Vice President, and to the various mining, geological, engineering, and financial consultants who have worked with him, for the tremendous amount of work done to advance the project in 1964 and to date in 1965.

Respectfully submitted in behalf of the board.

JOHN B. DEMPSEY, II, President

## OFFICERS AND DIRECTORS

|   |  |
|---|--|
| PRESIDENT AND DIRECTOR                  | John B. Dempsey, II *<br>President, Canadian Enterprise Corporation<br>Cleveland, Ohio USA         |
| VICE PRESIDENT AND DIRECTOR             | Archibald J. R. Stethem *<br>Montreal, Quebec  |
| TREASURER AND DIRECTOR                  | Jean J. O. Gravel *<br>Consulting Engineer<br>Montreal, Quebec                                     |
| SECRETARY AND DIRECTOR                  | James E. Ganong<br>Queen's Counsel<br>Toronto, Ontario   |
| DIRECTOR                                | Donald N. Byers<br>Queen's Counsel<br>Montreal, Quebec   |
| DIRECTOR                                | David R. Williams, Jr.<br>Executive Vice President<br>Williams Brothers Company<br>Tulsa, Oklahoma |
| DIRECTOR                                | Donald F. Wolvin<br>Officer and Director<br>McDougall & Christmas Limited<br>Montreal, Quebec      |
| ASSISTANT TREASURER                     | Albert Charles Lilley<br>Montreal, Quebec  |
| (*) Denotes Member, Executive Committee |  |
| .....                                   |  |
| HEAD OFFICE                             | Suite 1110, 25 Adelaide Street, West<br>Toronto 1, Ontario   |
| EXECUTIVE OFFICE                        | Suite 919, Keefer Building<br>Montreal 25, Quebec  |
| .....                                   |  |
| AUDITORS                                | Peat, Marwick, Mitchell & Company<br>Montreal, Quebec  |
| REGISTRAR AND TRANSFER AGENTS           | Guaranty Trust Company of Canada<br>Toronto, Ontario   |
| BANKERS                                 | The Canadian Imperial Bank of Commerce<br>Montreal, Quebec   |







GREAT WEST MINING AND SMELTING CORPORATION LIMITED

(Formerly West Range Iron Mines Limited)

(Incorporated under the laws of Ontario)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 1964

PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

PEAT, MARWICK, MITCHELL & Co.

CHARTERED ACCOUNTANTS

1155 DORCHESTER BLVD. WEST  
MONTREAL

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Great West Mining and Smelting Corporation Limited as of December 31, 1964. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet together with the notes thereto presents fairly the financial position of the company at December 31, 1964 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Peat, Marwick, Mitchell & Co.*

Chartered Accountants.

Montreal, P.Q.

February 26, 1965.



GREAT WEST MINING AND SMELTING CORPORATION LIMITED  
(Incorporated under the laws of Ontario)

Balance Sheet

December 31, 1964

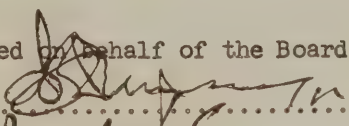

Assets

|   |    |                |                |
|---|----|----------------|----------------|
| Accounts receivable   |    | \$             | 310            |
| Land, mining properties and mineral rights<br>acquired for cash, at cost                |    |                | 43,285         |
| Option agreements to acquire mineral rights (notes 1 and 2):                            |    |                |                |
| Acquisition cost  | \$ | 90,000         |                |
| Payments to optioners in cash   |    | 10,850         |                |
| Legal and other expenses  |    | <u>1,111</u>   | 101,961        |
| Exploration, development and administrative expenses<br>per schedule attached (note 2): |    |                |                |
| Exploration and development expenses  | \$ | 123,732        |                |
| Administrative expenses   |    | <u>273,642</u> | 397,374        |
| Organization and financing expenses   |    |                | <u>3,986</u>   |
|   |    | \$             | <u>546,916</u> |

Liabilities

|   |    |                  |                |
|---|----|------------------|----------------|
| Current liabilities:  |    |                  |                |
| Bank overdraft  |    |                  | 1,884          |
| Bank loan   |    |                  | 40,000         |
| Notes payable on demand   |    |                  | 24,000         |
| Accounts payable and accrued charges                              |    |                  | 75,613         |
| Mortgages payable   |    |                  | <u>24,216</u>  |
| Total current liabilities   |    |                  | 165,713        |
| Capital stock (note 3):   |    |                  |                |
| Authorized - 5,000,000 shares with a par value of<br>\$1.00 each: |    |                  |                |
| Issued, fully paid - 2,000,000 shares                             | \$ | 2,000,000        |                |
| Less discount thereon   |    | <u>1,618,797</u> | <u>381,203</u> |
|   |    | \$               | <u>546,916</u> |

See accompanying notes to Balance Sheet.

Approved on behalf of the Board:  
.....  Director.  
.....  Director.

GREAT WEST MINING AND SMELTING CORPORATION LIMITED

Notes to Balance Sheet

December 31, 1964

- (1) The company holds option agreements (which were acquired for the consideration of 900,000 shares of its capital stock issued at a discount of \$810,000) whereby it holds exclusive right and option to purchase mineral rights in certain properties in the Townships of Carpenter and Lash in the Province of Ontario for the aggregate purchase price of \$214,600. The options, except as noted hereafter, will remain in good standing provided that beginning in 1964 annual expenditures of \$25,000 (to have accumulated effect) are made for the development of any one or all the properties. At December 31, 1964 the expenditures necessary to maintain these option agreements in good standing had been made. The sum of \$14,100 is payable on two options on July 31, 1965 and the sum of \$9,600 is payable on one option on January 31, 1966 if the said options are exercised.
- (2) The amounts shown for option agreements and exploration, development and administrative expenses represent costs to date and are not intended to reflect either present or realizable values.
- (3) In accordance with the requirements of the Ontario and Quebec Securities Commissions, 651,600 shares are held in escrow by the transfer agent.

The company is in the course of arranging further financing through the proposed issue of \$400,000 6% Convertible Debentures; and in this connection 500,000 shares of the capital stock are to be set aside for the purpose of the conversion privileges of the proposed issue.



GREAT WEST MINING AND SMELTING CORPORATION LIMITED

Schedule of Exploration, Development  
and Administrative Expenses

Year ended December 31, 1964

|   | Balance<br>December 31,<br><u>1963</u> | Additions<br>during<br><u>the year</u> | Balance<br>December 31,<br><u>1964</u> |
|---|--|--|--|
| Exploration and development:                                  |  |  |  |
| Line cutting  | \$ 1,000                               |  | 1,000                                  |
| Magnetometer survey   | 1,040                                  |  | 1,040                                  |
| Diamond drilling  | 60,197                                 |  | 60,197                                 |
| Field salaries and expenses                                   | 31,912                                 | 2,128                                  | 34,040                                 |
| Draughting  | 3,671                                  |  | 3,671                                  |
| Laboratory and assaying                                       | 6,620                                  |  | 6,620                                  |
| Mine consultant fees and expenses                             | 16,142                                 |  | 16,142                                 |
| Miscellaneous supplies  | 1,000                                  | 22                                     | 1,022                                  |
|   | <u>121,582</u>                         | <u>2,150</u>                           | <u>123,732</u>                         |
| Administrative expenses:                                      |  |  |  |
| Audit and accounting fees                                     | 7,535                                  | 5,600                                  | 13,135                                 |
| Telephone and telegraph                                       | 29,078                                 | 10,016                                 | 39,094                                 |
| Travelling  | 56,473                                 | 16,235                                 | 72,708                                 |
| General expenses  | 2,246                                  | 1,679                                  | 3,925                                  |
| Legal fees  | 13,294                                 | 10,891                                 | 24,185                                 |
| Office rent   | 2,107                                  | 801                                    | 2,908                                  |
| Office salaries   | 2,652                                  | 1,125                                  | 3,777                                  |
| Stationery and office supplies                                | 6,767                                  | 5,161                                  | 11,928                                 |
| Transfer fees   | 1,499                                  |  | 1,499                                  |
| Interest and bank charges                                     | 2,914                                  | 2,172                                  | 5,086                                  |
| Share issue expenses  | 4,610                                  |  | 4,610                                  |
| Directors' remuneration                                       |  | 15,000                                 | 15,000                                 |
| Engineering   | 13,834                                 | 6,347                                  | 20,181                                 |
| Feasibility and marketing reports                             | 20,351                                 | 35,255                                 | 55,606                                 |
|   | <u>163,360</u>                         | <u>110,282</u>                         | <u>273,642</u>                         |
| Total exploration, development<br>and administrative expenses | \$ <u>284,942</u>                      | <u>112,432</u>                         | <u>397,374</u>                         |







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